Wyandot Memorial Hospital

Independent Auditor's Reports and Financial Statements

December 31, 2017 and 2016

Dave Yost • Auditor of State

Board of Directors
Wyandot Memorial Hospital
885 North Sandusky Avenue
Upper Sandusky, Ohio 43351

We have reviewed the *Independent Auditor's Report* of the Wyandot Memorial Hospital, Wyandot County, prepared by BKD, LLP, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

June 4, 2018

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Wyandot Memorial Hospital

December 31, 2017 and 2016

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Independent Auditor's Report

Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Wyandot Memorial Hospital (Hospital) and its discretely presented component unit, Wyandot Health Foundation, Inc., as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wyandot Memorial Hospital and of its discretely presented component unit as of December 31, 2017 and 2016, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
May 17, 2018

Wyandot Memorial Hospital

Management's Discussion and Analysis
December 31, 2017 and 2016

Management's Discussion and Analysis

The discussion and analysis of Wyandot Memorial Hospital's (Hospital) financial statements provides an overview of the Hospital's financial activities for the years ended December 31, 2017, 2016 and 2015. Management is responsible for the completeness and fairness of the financial statements and the related note disclosures along with the discussion and analysis.

Using This Annual Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the financial statements and notes to the financial statements. These financial statements and related notes provide information about the activities of the Hospital, including resources held but restricted for specific purposes by contributors, grantors or enabling legislation.

Financial Highlights

The Hospital's net position decreased during the year ended December 31, 2017, primarily due to an increase in net pension liability, net of changes in deferred inflows and outflows of resources. The Hospital's current assets increased $747,792, or 3.29 percent, assets limited as to use increased $149,075 or 2.08 percent and general long-term investments increased $3,239,487 or 14.96 percent from the prior year. These changes in assets are primarily due to positive operating cash flow of the Hospital, resulting in an increase in total assets. In total, the Hospital's net position decreased by $2,706,314 or 4.88 percent from the previous year compared to the increase in net position in 2016 of $3,507,429 or 6.76 percent.

The increase in net position for 2015 was $2,662,332 or 5.41 percent. The following chart provides a breakdown of the Hospital's net position by category as of December 31, 2017, 2016 and 2015:

	Year Ended December 31		
	2017	2016	2015
Net Position			
Net investment in capital assets	$ 18,430,906	$ 19,201,931	$ 18,019,793
Restricted	6,443,057	6,273,050	5,678,787
Unrestricted	27,839,304	29,944,600	28,213,572

For the year ended December 31, 2017, the Hospital's expenses exceeded revenue and other support, creating a decrease in net position of $2,706,314. The increase for 2016 and 2015 was $3,507,429 and $2,662,332, respectively.

The Balance Sheet and Statement of Revenue, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenue, expenses and changes in net position report information about the Hospital as a whole and on its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	Year Ended December 31			2017/2016 Change	
	2017	2016	2015	Amount	Percent
Assets					
Current assets	$ 23,505,824	$ 22,758,032	$ 27,970,262	$ 747,792	3.29%
Assets limited as to use	7,308,523	7,159,448	6,573,814	149,075	2.08%
General long-term investments	24,896,406	21,656,919	13,699,814	3,239,487	14.96%
Capital assets	18,430,906	19,201,931	18,019,793	(771,025)	-4.02%
Net pension asset	34,881	29,372	17,596	5,509	18.76%
Total assets	74,176,540	70,805,702	66,281,279	3,370,838	4.76%
Deferred Outflows of Resources	9,760,915	7,487,917	2,130,189	2,272,998	30.36%
Total assets and deferred outflows of resources	$ 83,937,455	$ 78,293,619	$ 68,411,468	$ 5,643,836	7.21%
Liabilities					
Current liabilities	$ 7,484,788	$ 5,022,196	$ 5,163,506	$ 2,462,592	49.03%
Net pension liability	23,576,892	17,496,552	11,134,824	6,080,340	34.75%
Total liabilities	31,061,680	22,518,748	16,298,330	8,542,932	37.94%
Deferred Inflows of Resources	162,508	355,290	200,986	(192,782)	-54.26%
Net Position					
Net investment in capital assets	18,430,906	19,201,931	18,019,793	(771,025)	-4.02%
Restricted	6,443,057	6,273,050	5,678,787	170,007	2.71%
Unrestricted	27,839,304	29,944,600	28,213,572	(2,105,296)	-7.03%
Total net position	52,713,267	55,419,581	51,912,152	(2,706,314)	-4.88%
Total liabilities, deferred inflows of resources and net position	$ 83,937,455	$ 78,293,619	$ 68,411,468	$ 5,643,836	7.21%

The primary change in the Hospital's balance sheet relates to the increase general long-term investments as a result of positive operating cash flow along with an increase in deferred outflows of resources and net pension liability which contributed to the 4.88 percent decrease in total net position for 2017 compared to a 6.76 percent increase for 2016, and an increase of 5.41 percent for 2015.

Table 2: Operating Results and Changes in Net Assets

The following is a comparative analysis of the major components of the statements of revenue, expenses and changes in net position of the Hospital for the years ended December 31, 2017, 2016 and 2015:

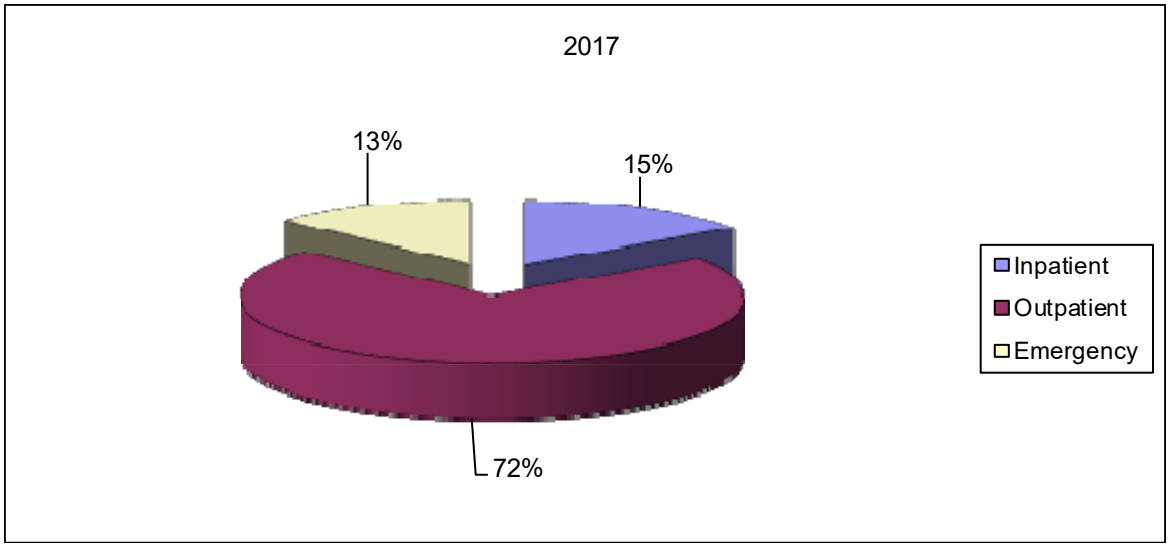
	Year Ended December 31			2017/2016 Change	
	2017	2016	2015	Amount	Percent
Operating Revenue					
Net patient service revenue	$ 41,824,466	$ 43,488,282	$ 39,422,494	$ (1,663,816)	-3.83%
Other operating revenue	2,485,867	2,240,252	1,710,846	245,615	10.96%
Total operating revenue	44,310,333	45,728,534	41,133,340	(1,418,201)	-3.10%
Operating Expenses					
Salaries and wages	15,761,761	15,168,309	13,902,710	593,452	3.91%
Employee benefits and payroll taxes	7,942,922	5,359,930	3,682,941	2,582,992	48.19%
Supplies and other	11,354,675	10,447,969	9,913,680	906,706	8.68%
Purchased services and professional fees	9,818,737	9,340,909	9,139,843	477,828	5.12%
Insurance	370,396	366,202	412,274	4,194	1.15%
Depreciation and amortization	2,424,821	2,536,005	2,660,936	(111,184)	-4.38%
Total operating expenses	47,673,312	43,219,324	39,712,384	4,453,988	10.31%
Operating Income (Loss)	(3,362,979)	2,509,210	1,420,956	(5,872,189)	-234.03%
Nonoperating Revenue					
Interest income	320,287	163,809	101,870	156,478	95.52%
Contributions and other income	336,378	232,474	1,139,506	103,904	44.69%
Total nonoperating revenue	656,665	396,283	1,241,376	260,382	65.71%
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	(2,706,314)	2,905,493	2,662,332	(5,611,807)	-193.14%
Capital Gifts	-	601,936	-	(601,936)	-100.00%
Increase (Decrease) in Net Position	(2,706,314)	3,507,429	2,662,332	(6,213,743)	-177.16%
Net Position, Beginning of Year	55,419,581	51,912,152	49,249,820	3,507,429	6.76%
Net Position, End of Year	$ 52,713,267	$ 55,419,581	$ 51,912,152	$ (2,706,314)	-4.88%

Operating Revenue

Operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as inpatient services, outpatient services, physician offices and the cafeteria.

Operating revenue changes were a result of the following factors:

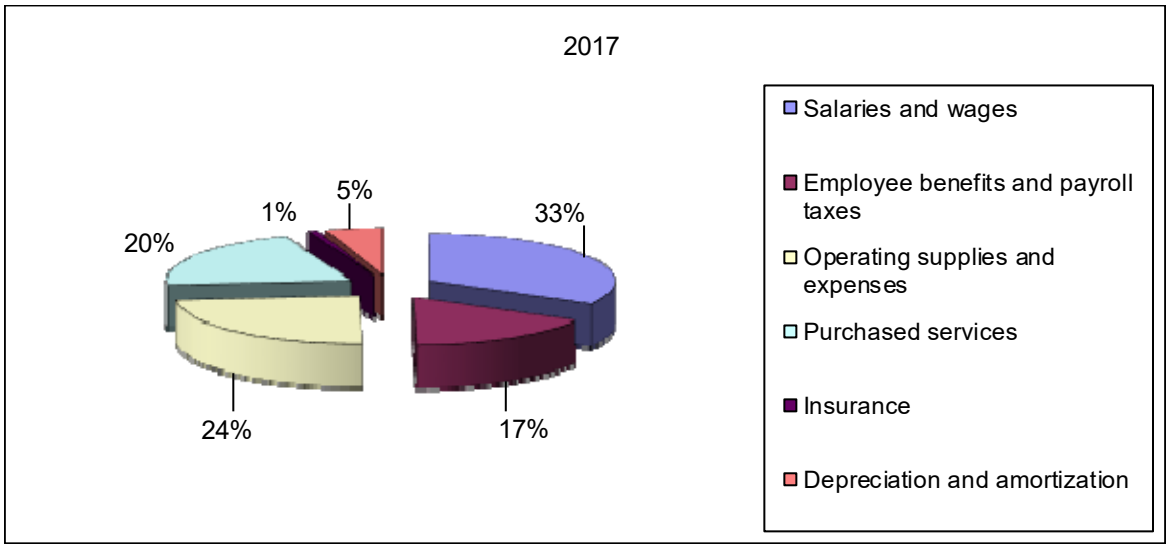
- Gross patient revenue is reduced by revenue deductions. These deductions are accounts that are uncollectible or the amounts not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, Medical Mutual and commercial carriers. These revenue deductions for 2017 were 55.12 percent of gross revenue and were 50.76 percent and 52.33 percent in 2016 and 2015, respectively. Net patient service revenue decreased in 2017 by $1,663,816, or 3.83 percent, compared to the increase in 2016 of $4,065,788, or 10.31 percent.
- Other operating revenue increased 10.96 percent in 2017 due increases in pharmacy revenue due to participation in the 340(b) program, as well as revenue from the Medicare and Medicaid meaningful use programs. In 2016, other operating revenue increased 30.94 percent and increased in 2015 by 34.96 percent.
- The following is a graphic illustration of net patient service revenue by source:



Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The operating expense changes were the result of the following factors:

- Salaries and wages costs increased by $593,452, or 3.91 percent, in 2017, compared to an increase of $1,265,599, or 9.10 percent, in 2016 and an increase of 12.21 percent in 2015. The increased salaries and wages is the result of annual increases in salary and wage costs.
- Employee benefit and payroll tax costs increased by $2,582,992, or 48.19 percent, in 2017, compared to an increase of $1,676,989, or 45.53 percent, in 2016 and an increase of 4.02 percent in 2015. The majority of the increase during 2017 and 2016 is the result of the effect of changes related to GASB Statement Nos. 68 and 71. Pension expense increased $2,671,751 in 2017 compared to 2016 and increased $1,559,685 in 2016 compared to 2015.
- Supplies increased by $906,706, or 8.68 percent, in 2017, compared to an increase of $534,289, or 5.39 percent in 2016 and an increase of 10.24 percent in 2015. The increases are primarily due to increased patient supplies for oncology, surgery and physician practices as a result of increased patient volumes and other ancillary services.
- Purchased services and professional fees increased by $477,828, or 5.12 percent, in 2017, compared to an increase of $201,066, or 2.20 percent, in 2016 and an increase of $805,260 in 2015. The increases are primarily due to increased professional fees for physician services, emergency department and physical therapy expenses.
- The following is a graphic illustration of operating expenses by type:



Nonoperating Revenue and Expenses

Nonoperating revenues and expenses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income and contributions.

Nonoperating revenues of $656,665 increased by $260,382, or 65.71 percent, in 2017 compared to the nonoperating revenues of $396,293 in 2016. The nonoperating revenues in 2016 decreased 68.08 percent compared to the nonoperating revenue of $1,241,376 in 2015. The increase is primarily related to higher interest income in 2017 compared to 2016.

Capital Gifts

During 2016, the Hospital received a gift of $601,936 from the estate of a donor to purchase capital assets. There were no capital gifts received during 2017 or 2015.

The Hospital's Cash Flows

Another way to assess the financial health of a hospital is to look at the statement of cash flows.

Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

	Year Ended December 31			2017/2016 Change Increase (Decrease)
	2017	2016	2015	
Cash Provided by (Used in)				
Operating activities	$ 5,079,747	$ 5,862,111	$ 9,939,401	$ (782,364)
Capital and noncapital related financing activities	(1,337,724)	(2,699,923)	(769,597)	1,362,199
Investing activities	(4,695,218)	(6,486,751)	(2,766,928)	1,791,533
Net Increase (Decrease) in Cash and Cash Equivalents	(953,195)	(3,324,563)	6,402,876	2,371,368
Cash and Cash Equivalents, Beginning of Year	10,188,343	13,512,906	7,110,030	(3,324,563)
Cash and Cash Equivalents, End of Year	$ 9,235,148	$ 10,188,343	$ 13,512,906	$ (953,195)

The Hospital's liquidity changed during the year. The following discussion amplifies the overview of cash flows presented above:

Cash provided by operating activities decreased in 2017 by $782,364 compared to 2016. This is primarily the result of a reduction in cash collections from patients as a result of overall lower net patient service revenue and an increase in cash payments to employees and for employee benefit expenses. Cash from operating activities decreased $4,077,290 in 2016 due to a decrease in cash collections from patients and an increase in cash payments to employees and for employee benefit expenses.

Contributions for acquisition of property and equipment were $601,936 for 2016. There were no contributions for acquisition of property and equipment during 2017 or 2015. Noncapital grants and gifts during 2017, 2016 and 2015 were $336,378, $232,474 and $1,139,506, respectively. Capital gifts and capital purchases, net of proceeds from disposals, for 2017 were $1,674,102. Capital purchases in 2016 and 2015 were $3,715,833 and $1,953,892, respectively.

Investing activities used cash of $4,695,218 during 2017 compared to the use of $6,486,751 during 2016 and $2,766,928 in 2015.

Capital Assets

In October 2010, the Hospital began an extensive building program that expanded the Emergency Department and improved access to outpatient services. In addition, the Hospital purchased and installed equipment and services related to the expansion as well as preparation related to achievement of meaningful use. The building program was completed in the spring of 2012 with the various renovation projects continuing through 2017.

Capital assets for the past three years are detailed below:

	Year Ended December 31			2017/2016 Change Increase
	2017	2016	2015	
Land	$ 148,000	$ 148,000	$ 85,000	$ -
Land improvements	1,291,057	1,234,424	1,147,971	56,633
Buildings and improvements	24,244,300	23,646,613	22,463,588	597,687
Major movable equipment	17,296,392	16,891,224	17,889,761	405,168
Total	$ 42,979,749	$ 41,920,261	$ 41,586,320	$ 1,059,488

Debt

For the years ended December 31, 2017, 2016 and 2015, the Hospital had no outstanding debt.

Although the Hospital has no debt obligations, the Hospital continues to complete project renovations and provide capital improvements without securing any debt obligations. These capital improvements are funded through operations, grants and community support.

Other Economic Factors

The economic position of the Hospital is closely tied to that of the local medical staff. The Hospital continually works to maintain an appropriate number of physicians in the community to ensure that the medical needs of the public are met and to help maintain the financial viability of the Hospital. The physician practices started in 2011 continue to grow as they see additional patients. The building program, including a new Emergency Department and expanded outpatient services, was completed in 2012. Much of the Hospital reimbursement is limited by federal and state mandates. Effective March 2005, the Hospital obtained critical access status from the Medicare program. The Hospital is reimbursed the reasonable cost for Medicare services provided to beneficiaries. The Hospital's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of service. In addition, the Board of Governors approved an average increase of 3 percent in the charge structure for the upcoming fiscal year.

Contacting the Hospital's Financial Management

This financial report is intended to provide our member townships with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds over which it has stewardship. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer.

Alan H. Yeates
Chief Financial Officer

Wyandot Memorial Hospital

Balance Sheets
December 31, 2017 and 2016

	2017		2016	
	Hospital	Component	Hospital	Component
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 9,017,933	$ 384,329	$ 9,060,452	$ 472,929
Short-term investments	6,292,778	627,542	5,576,511	430,235
Patient accounts receivable, net of allowance of uncollectible accounts; 2017 - $2,193,100; 2016 - $1,988,184	6,772,759	-	6,371,049	-
Inventory	803,597	-	699,152	-
Estimated amounts due from third-party payers	196,839	-	596,571	-
Prepaid expenses and other	421,918	-	454,297	-
Total current assets	23,505,824	1,011,871	22,758,032	903,164
Noncurrent Cash and Investments				
Assets limited as to use	7,308,523	-	7,159,448	-
Long-term investments	24,896,406	581,280	21,656,919	710,575
Total noncurrent cash and investments	32,204,929	581,280	28,816,367	710,575
Capital Assets, Net	18,430,906	-	19,201,931	-
Net Pension Asset	34,881	-	29,372	-
Total assets	74,176,540	1,593,151	70,805,702	1,613,739
Deferred Outflows of Resources - Pensions	9,760,915	-	7,487,917	-
Total assets and deferred outflows of resources	$ 83,937,455	$ 1,593,151	$ 78,293,619	$ 1,613,739
Liabilities, Deferred Inflows Of Resources and Net Position				
Current Liabilities				
Accounts payable	$ 1,731,794	$ -	$ 921,454	$ -
Accrued compensated absences	1,430,890	-	1,329,549	-
Accrued expenses and other	1,960,123	-	1,545,219	-
Estimated amounts due to third-party payers	2,361,981	-	1,225,974	-
Total current liabilities	7,484,788	-	5,022,196	-
Net Pension Liability	23,576,892	-	17,496,552	-
Total liabilities	31,061,680	-	22,518,748	-
Deferred Inflows of Resources - Pensions	162,508	-	355,290	-
Net Position				
Net investment in capital assets	18,430,906	-	19,201,931	-
Restricted, expendable for				
Capital improvements	6,408,176	-	6,243,678	-
Pensions	34,881	-	29,372	-
Unrestricted	27,839,304	1,593,151	29,944,600	1,613,739
Total net position	52,713,267	1,593,151	55,419,581	1,613,739
Total liabilities and deferred inflows of resources and net position	$ 83,937,455	$ 1,593,151	$ 78,293,619	$ 1,613,739

Wyandot Memorial Hospital

Statements of Revenue, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	2017		2016	
	Hospital	Component	Hospital	Component
Operating Revenue				
Net patient service revenue, net of provision for uncollectible accounts; 2017 - $2,451,677; 2016 - $1,014,859	$ 41,824,466	$ -	$ 43,488,282	$ -
Other	2,485,867	-	2,240,252	-
Total operating revenue	44,310,333	-	45,728,534	-
Operating Expenses				
Salaries and wages	15,761,761	-	15,168,309	-
Employee benefits	7,942,922	-	5,359,930	-
Purchased services and professional fees	9,818,737	-	9,340,909	-
Supplies and other	11,354,675	133,476	10,447,969	60,693
Insurance	370,396	-	366,202	-
Depreciation and amortization	2,424,821	-	2,536,005	-
Total operating expenses	47,673,312	133,476	43,219,324	60,693
Operating Income (Loss)	(3,362,979)	(133,476)	2,509,210	(60,693)
Nonoperating Revenue				
Interest income	320,287	46,587	163,809	110,364
Noncapital grants and gifts	336,378	66,301	232,474	103,434
Total nonoperating revenue	656,665	112,888	396,283	213,798
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	(2,706,314)	(20,588)	2,905,493	153,105
Capital Gifts	-	-	601,936	-
Increase (Decrease) in Net Position	(2,706,314)	(20,588)	3,507,429	153,105
Net Position, Beginning of Year	55,419,581	1,613,739	51,912,152	1,460,634
Net Position, End of Year	$ 52,713,267	$ 1,593,151	$ 55,419,581	$ 1,613,739

Wyandot Memorial Hospital

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017		2016	
	Hospital	Component	Hospital	Component
Operating Activities				
Receipts from and on behalf of patients	$ 41,422,756	$ -	$ 43,167,675	$ -
Payments to suppliers and contractors	(20,713,162)	(133,476)	(20,679,937)	(60,693)
Payments to employees	(19,579,387)	-	(19,372,192)	-
Other receipts, net	3,949,540	-	2,746,565	-
Net cash provided by (used in) operating activities	5,079,747	(133,476)	5,862,111	(60,693)
Noncapital Financing Activities				
Noncapital grants and gifts	336,378	66,301	232,474	103,434
Capital and Related Financing Activities				
Purchase of capital assets, net of proceeds on disposals	(1,679,294)	-	(3,715,833)	-
Contributions for acquisition of property and equipment	-	-	601,936	-
Proceeds from disposal of capital assets	5,192	-	181,500	-
Net cash used in capital and related financing activities	(1,674,102)	-	(2,932,397)	-
Investing Activities				
Net change in assets limited as to use and investments	(5,015,505)	(68,012)	(6,650,560)	32,897
Income on investments	320,287	46,587	163,809	110,364
Net cash used in investing activities	(4,695,218)	(21,425)	(6,486,751)	143,261
Increase (Decrease) in Cash and Cash Equivalents	(953,195)	(88,600)	(3,324,563)	186,002
Cash and Cash Equivalents, Beginning of Year	10,188,343	472,929	13,512,906	286,927
Cash and Cash Equivalents, End of Year	$ 9,235,148	$ 384,329	$ 10,188,343	$ 472,929
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (3,362,979)	$ (133,476)	$ 2,509,210	$ (60,693)
Depreciation and amortization	2,424,821	-	2,536,005	-
Provision for uncollectible accounts	2,451,677	-	1,014,859	-
Loss on disposal of capital assets	(5,144)	-	(181,500)	-
Changes in operating assets and liabilities				
Patient accounts receivable	(2,853,387)	-	(1,335,466)	-
Inventory	(104,445)	-	128,371	-
Prepaid expenses and other	32,379	-	369,295	-
Accounts payable	835,790	-	(343,357)	-
Net pension asset and liability	6,074,831	-	6,349,952	-
Deferred outflows of resources	(2,272,998)	-	(5,357,728)	-
Deferred inflows of resouces	(192,782)	-	154,304	-
Accrued compensated expenses and other	516,245	-	9,519	-
Estimated third-party settlements	1,535,739	-	8,647	-
Net cash provided by (used in) operating activities	$ 5,079,747	$ (133,476)	$ 5,862,111	$ (60,693)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents in current assets	$ 9,017,933	$ 384,329	$ 9,060,452	$ 472,929
Cash and cash equivalents in investments and assets limited as to use	217,215	-	1,127,891	-
Total cash and cash equivalents	$ 9,235,148	$ 384,329	$ 10,188,343	$ 472,929
Supplemental Cash Flows Information				
Capital asset acquisitions included in accounts payable, end of year	$ -	$ -	$ 25,450	$ -
Capital asset acquisitions included in accounts payable, beginning of year	25,450	-	23,140	-

Wyandot Memorial Hospital

Notes to the Financial Statements
December 31, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The accompanying financial statements include the accounts of Wyandot Memorial Hospital and Wyandot Health Foundation, Inc. (collectively, Organization).

Wyandot Memorial Hospital (Hospital), as the primary government and business-type activity, is an acute-care hospital organized in 1950 by residents of Salem, Pitt, Crane and Mifflin Townships. The Hospital is located in Upper Sandusky, Ohio and is operated by a joint township Board of Directors made up of 12 members. This Board elects one member for the Board of Governors from each township and three members are elected at large from the district, of which one should be a medical doctor. The Board of Governors consists of a total of seven members who oversee the daily operations of the Hospital. The Hospital was formed under the provisions of the Ohio Revised Code.

Wyandot Health Foundation, Inc. (Foundation) was established on June 10, 1985, per authority of the Ohio Revised Code. The Foundation is a legally separate, tax-exempt entity that raises funds on behalf of the Hospital. The Foundation is not a part of the primary government of the Hospital but, due to its relationship with the Hospital, it is discretely presented as a component unit within the Hospital's financial statements. The Board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position, if applicable, when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments, Investment Income and Assets Limited as to Use

Investments consist of certificates of deposit (stated at cost plus accrued interest, which approximates market value), money market accounts, and commercial and governmental bonds (stated at market value). Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Assets limited as to use consist of assets restricted by donors and the Board of Governors.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered as net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventory

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	5-25 years
Buildings and building improvements	15-40 years
Building service equipment	5-20 years
Major movable equipment	3-25 years

Deferred Outflows of Resources

The Hospital reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a current liability in the financial statements. Employees accumulate vacation days at varying rates depending on years of service. Employees also earn holiday and sick leave benefits at a Hospital-determined rate for all employees. Employees may earn up to 64 hours of holiday time per year and may accumulate up to 128 hours of such time. Employees may earn up to 80 hours of sick time per year. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-quarter of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Salaried employees also earn compensatory time for any hours worked in excess of eight hours in one day or 80 hours in one pay period, at the rate of time and one-half. Compensatory time may be accumulated up to a maximum of 80 hours.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

The Hospital participates in two cost-sharing multiple-employer defined benefit pension plans administered by the Ohio Public Employees Retirement System, the Traditional Pension Plan and the Combined Plan (Plans). For purposes of measuring the net pension liability and net pension asset, and deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital's direct and indirect costs for services furnished under its charity care policy aggregated to approximately $380,000 and $352,000 in 2017 and 2016, respectively. The Hospital received approximately $932,000 and $834,000 in 2017 and 2016, respectively, from a state of Ohio uncompensated care fund to subsidize charity services provided under its charity care policy and is included in net patient service revenue. The Hospital also paid approximately $352,000 and $238,000 into the fund during 2017 and 2016, respectively.

The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Income Taxes

As an instrumentality of a political subdivision of the state of Ohio, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt under Section 501(c) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Effective March 1, 2015, the Hospital became self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred, but not yet reported.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20 percent incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital has recognized incentive payment revenue received for qualified EHR technology expenditures during 2016, which was the period during which management was reasonably assured meaningful use was achieved for Medicaid and the earnings process was complete. Management believes the incentive payments reflect a change in how "allowable costs" are determined in paying CAHs for providing services to Medicare and Medicaid beneficiaries. The Hospital recorded revenue of $244,345, which is included in other operating revenue in the statements of revenue, expenses and changes in net position for the year ended December 31, 2016. No revenue was recorded for the year ended December 31, 2017.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Effective March 2005, the Hospital received full accreditation from the Center for Medicare and Medicaid Services for the critical access hospital designation. As a critical access hospital, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Hospital is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Approximately 35 percent and 36 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid (including Managed Care) programs for the years ended December 31, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Deposits, Investments and Investment Income

Chapter 135 of the Ohio Uniform Depositor Act authorizes local governmental units to make deposits in any national bank located in the state, subject to inspection by the superintendent of financial institutions, as eligible to become a public depository. Section 135.14 of the Ohio Revised Code allows the local government to invest in United States Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the state of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the auditor of state, by the treasurer or governing Board investing in these instruments.

The Hospital has designated six banks for the deposit of its funds. An investment policy has not been filed with the auditor of state on behalf of the Hospital. Investment of interim funds is limited to bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds and the Ohio subdivision's fund (STAR Ohio).

Statutes require the classification of funds held by the Hospital into three categories:

Active Funds - Active funds are required to be kept in a "cash" or "near cash" status for immediate use by the system. Such funds must be maintained either in depository accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive Funds - Inactive funds are not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including but not limited to passbook accounts.

Interim Funds - Interim funds are funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio law permits interim funds to be invested or deposited in the following securities:

1. Bonds, notes or other obligations guaranteed by the United States or those for which the faith of the United States is pledged for the payment of principal and interest
2. Bonds, notes, debentures or other obligations or securities issued by any federal governmental agency
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
4. Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit, maturing not more than one year from date of deposit or by savings or deposit accounts, including, but not limited to passbook accounts
5. Bonds and other obligations of the state of Ohio
6. The Ohio state treasurer's investment pool (STAR Ohio)
7. Commercial paper and bankers' acceptances which meet the requirements established by Ohio Revised Code, SEC 135.142
8. Under limited circumstances, corporate debt interest in either of the two highest rating classifications by at least two nationally recognized rating agencies

Protection of the Hospital's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Hospital and must be purchased with the expectation that it will be held to maturity.

The Hospital's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk meets the compliance requirements of the provisions of state law. At December 31, 2017 and 2016, all of the Hospital's bank deposits (certificates of deposit, checking and savings accounts) in excess of FDIC insured amounts, which were approximately $13,368,000 and $12,690,000, respectively, were uninsured and collateralized by various securities; the component unit had approximately $56,000 at December 31, 2016, of bank deposits that were uninsured and uncollateralized. The component unit did not have any bank deposits that were uninsured and uncollateralized as of December 31, 2017. The Organization believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. However, since all of the Organization's bank deposits are collateralized, the Organization believes it has maintained an acceptable risk level at these institutions.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Organization's policy for custodial credit risk meets the compliance requirements of the provisions of state law. At December 31, 2017 and 2016, the following investment securities at the component unit were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the component unit's name:

Type of Investment	Carrying Value	How Held
December 31, 2017		
U.S. Government agency bonds	$ 1,070	Counterparty
December 31, 2016		
U.S. Government agency bonds	$ 1,070	Counterparty

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Organization's investment policy addresses interest rate risk and meets the compliance requirements of the provisions of state law. At the end of the year, the average maturities of investments at the component unit are as follows:

Type of Investment	Fair Value	Weighted Average Maturity
December 31, 2017		
U.S. Government agency bonds	$ 1,070	14.13 years
December 31, 2016		
U.S. Government agency bonds	$ 1,070	15.13 years

Credit Risk

The Organization's investment policy addresses credit risk and meets the compliance requirements of the provisions of state law. At the end of the year, the credit quality ratings of debt securities held at the component unit are as follows:

Type of Investment	Fair Value	Rating	Rating Organization
December 31, 2017			
U.S. Government agency bonds	$ 1,070	AA+	Standard & Poor's
December 31, 2016			
U.S. Government agency bonds	$ 1,070	AA+	Standard & Poor's

Summary of Carrying Values

The carrying values of deposits and investments of the Organization are included in the balance sheets at December 31, 2017 and 2016, as follows:

	2017	2016
Carrying value		
Deposits		
Cash and cash equivalents	$ 9,619,477	$ 10,661,272
Certificates of deposit	39,488,244	34,404,727
Investments		
U.S. Government agency bonds	1,070	1,070
	$ 49,108,791	$ 45,067,069
Included in the following balance sheet captions		
Hospital		
Cash and cash equivalents	$ 9,017,933	$ 9,060,452
Short-term investments	6,292,778	5,576,511
Assets limited as to use	7,308,523	7,159,448
Long-term investments	24,896,406	21,656,919
Component Unit		
Cash and cash equivalents	384,329	472,929
Short-term investments	627,542	430,235
Long-term investments	581,280	710,575
	$ 49,108,791	$ 45,067,069

Investment Income

Investment income for the years ended December 31, 2017 and 2016, consists of:

	2017	2016
Hospital interest and dividend income	$ 320,287	$ 163,809
Component unit interest and dividend income	$ 46,587	$ 110,364

Note 4: Patient Accounts Receivable

Patient accounts receivable at December 31, 2017 and 2016, consists of:

	2017	2016
Patient accounts receivable	$ 18,782,600	$ 17,697,758
Less		
Allowance for uncollectible amounts	2,390,656	1,988,184
Allowance for contractual adjustments	9,619,185	9,338,525
Patient accounts receivable, net	$ 6,772,759	$ 6,371,049

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors consisted of:

	2017	2016
Medicare	29%	24%
Medicaid	8%	12%
Commercial insurance and HMOs	42%	44%
Self-pay	21%	20%
	100%	100%

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2017 and 2016, were:

	2017			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	$ 148,000	$ -	$ -	$ 148,000
Land improvements	1,234,424	56,633	-	1,291,057
Building and building improvements	22,650,354	580,990	(9,897)	23,221,447
Building service equipment	996,259	26,594	-	1,022,853
Major movable equipment	16,891,224	989,627	(584,459)	17,296,392
	41,920,261	1,653,844	(594,356)	42,979,749
Less accumulated depreciation				
Land improvements	542,581	98,934	-	641,515
Building and building improvements	9,463,302	825,305	(9,897)	10,278,710
Building service equipment	820,604	16,274	-	836,878
Major movable equipment	11,891,843	1,484,308	(584,411)	12,791,740
	22,718,330	2,424,821	(594,308)	24,548,843
Capital assets, net	$ 19,201,931	$ (770,977)	$ (48)	$ 18,430,906

	2016			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	$ 85,000	$ 63,000	$ -	$ 148,000
Land improvements	1,147,971	86,453	-	1,234,424
Building and building improvements	21,465,865	1,184,489	-	22,650,354
Building service equipment	997,723	11,405	(12,869)	996,259
Major movable equipment	17,889,761	2,372,796	(3,371,333)	16,891,224
	41,586,320	3,718,143	(3,384,202)	41,920,261
Less accumulated depreciation				
Land improvements	451,360	91,221	-	542,581
Building and building improvements	8,634,375	841,796	(12,869)	9,463,302
Building service equipment	805,425	15,179	-	820,604
Major movable equipment	13,675,367	1,587,809	(3,371,333)	11,891,843
	23,566,527	2,536,005	(3,384,202)	22,718,330
Capital assets, net	$ 18,019,793	$ 1,182,138	$ -	$ 19,201,931

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $2,021,702. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2017 and 2016 is summarized as follows:

	2017	2016
Balance, beginning of year	$ 255,000	$ 240,000
Current year claims incurred and changes in estimates for claims incurred in prior years	1,677,199	1,549,690
Claims and expenses paid	(1,672,199)	(1,534,690)
Balance, end of year	$ 260,000	$ 255,000

Note 8: Accrued Liabilities and Other

Accrued expenses included in current liabilities at December 31, 2017 and 2016, consisted of:

	2017	2016
Compensation and related items	$ 348,055	$ 241,414
Pension	790,390	494,461
Employee health claims	260,000	255,000
Insurance premiums and accruals	561,678	554,344
	$ 1,960,123	$ 1,545,219

Note 9: Pension Plans

Plan Descriptions

The Hospital contributes to the Ohio Public Employees Retirement System (OPERS) which administers two cost-sharing multiple-employer defined benefit pension plans and one defined contribution pension plan, which together, cover substantially all Hospital employees. All employees are required to join the Ohio Public Employees Retirement System (OPERS). OPERS' three pension plans are described below and are discussed in greater detail in the following sections:

1. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit plan pension plan.
2. The Member-Directed (MD) Plan – a defined contribution pension plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan – a cost-sharing, multi-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS issues a stand-alone financial report, these reports may be obtained by contacting the organization as follows:

OPERS
277 East Town Street
Columbus, Ohio 43215-4642
Telephone (800) 222-7377
www.opers.org

Benefits Provided

Plan benefits for OPERS are established under Chapter 145 of the Ohio Revised Code (ORC). Members are categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire on January 7, 2013, and those eligible to retire no later than five years after that date comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013, or are eligible to retire no later than ten years after January 7, 2013, are included in transition group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Additionally, OPERS has three separate divisions with varying degrees of benefits: (1) state and local, (2) law enforcement and (3) public safety. The Hospital does not have any employees included in law enforcement or the public safety division.

Benefits for state and local members are calculated on the basis of age, final average salary and service credit. State and local members in transition groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for state and local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For group C the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the Combined Plan, employee contributions are invested in self-directed investments and the employer contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined Plan for age and years of service are identical to the defined benefit Plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0 percent to the member's final average salary for the first 30 years of service. A factor of 1.25 percent is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0 percent to the member's final average salary and the first 35 years of service and a factor of 1.25 percent is applied to years in excess of 35. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

A cost-of-living adjustment is provided each year and is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

All employees are required to become contributing members of OPERS when they begin employment at the Hospital unless they are exempted or excluded as defined by the ORC. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. As of December 31, 2017 and 2016, 350 and 332 employees, respectively, participated in the OPERS defined benefit pension plans and nine and seven employees participated in the defined contribution pension plan. The Hospital's proportionate share of inactive members is included in the net pension liability and net pension asset as discussed in the following notes.

Contributions

The ORC provides OPERS statutory authority over employee and employer contributions. The required statutorily determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The statutorily required contribution rates for the employee and the Hospital are as follows for the years ended December 31, 2017 and 2016:

	OPERS
Employee	10%
Hospital	14%

For the years ended December 31, 2017 and 2016, contributions to the defined benefit pension plans from the Hospital were as follows:

	OPERS	
	2017	2016
Traditional Plan	$ 1,809,577	$ 1,611,382
Combined Plan	40,207	29,274
Total	$ 1,849,784	$ 1,640,656

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2017 and 2016, the Hospital reported a net pension liability and net pension asset for the OPERS defined benefit plans as follows:

	Net Pension Liability (Asset)	
	2017	2016
Traditional Plan	$ 23,576,892	$ 17,496,552
Combined Plan	(34,881)	(29,372)

The net pension liability and net pension asset for December 31, 2017 and 2016, were measured as of December 31, 2016 and 2015, respectively, and the total pension liability and total pension asset used to calculate the net pension liability were determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability and net pension asset were based on the Hospital's share of contributions to the respective defined benefit pension plans relative to the contributions of all participating employers during the measurement period. At December 31, 2017 and 2016, the Hospital's proportionate share was 0.103825 percent and 0.101012 percent, respectively, for the Traditional Plan and 0.062671 percent and 0.060360 percent, respectively, for the Combined Plan. The Hospital's change in proportionate share between the two years was an increase of 0.002813 percent and 0.008692 percent for the traditional and combined plans, respectively.

For the years ended December 31, 2017 and 2016, the Hospital recognized pension expense related to the defined benefit pension plans of $5,458,835 and $2,787,084, respectively, as follows:

	Pension Expense	
	2017	2016
Traditional Plan	$ 5,434,432	$ 2,772,253
Combined Plan	24,403	14,831
Total	$ 5,458,835	$ 2,787,084

At December 31, 2017 and 2016, the Hospital reported deferred outflows of resources and deferred inflows of resources from the following sources:

	2017					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 31,957	$ 140,318	$ -	$ 17,839	$ 31,957	$ 158,157
Net difference between projected and actual earnings on pension plan investments	3,511,143	-	8,510	-	3,519,653	-
Change in assumption	3,739,584	-	8,501	-	3,748,085	
Change in the Hospital's proportionate share	611,436	-	-	4,351	611,436	4,351
Hospital's contributions subsequent to the measurement date	1,809,577	-	40,207	-	1,849,784	-
	$ 9,703,697	$ 140,318	$ 57,218	$ 22,190	$ 9,760,915	$ 162,508

	2016					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 338,067	$ -	$ 13,403	$ -	$ 351,470
Net difference between projected and actual earnings on pension plan investments	5,142,893	-	12,682	-	5,155,575	-
Change in the Hospital's proportionate share	691,686	-	-	3,820	691,686	3,820
Hospital's contributions subsequent to the measurement date	1,611,382	-	29,274	-	1,640,656	-
	$ 7,445,961	$ 338,067	$ 41,956	$ 17,223	$ 7,487,917	$ 355,290

At December 31, 2017, the Hospital reported $1,849,784 as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date which will be recognized as a decrease (increase) in the net pension liability (asset) during the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2017, related to pension plans will be recognized in pension expense (revenue) as follows:

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2018	$ 3,379,786	$ 1,087	$ 3,380,873
2019	3,218,994	1,087	3,220,081
2020	1,257,942	719	1,258,661
2021	(102,920)	(2,297)	(105,217)
2022	-	(1,979)	(1,979)
Thereafter	-	(3,796)	(3,796)
	$ 7,753,802	$ (5,179)	$ 7,748,623

Actuarial Assumptions

The total pension liability and total pension asset for the years ended December 31, 2017 and 2016, were determined using the following actuarial valuations and actuarial assumptions for the defined benefit pension plans:

OPERS	2017	2016
Valuation date	December 31, 2016	December 31, 2015
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2010
Actuarial cost method	Individual entry age	Individual entry age
Wage inflation	3.25%	3.75%
Projected salary increases	3.25% - 10.75% including inflation at 3.25%	4.25% - 10.05% including inflation at 3.75%
Investment rate of return	7.50%	8.00%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% Simple through 2018 Post 2018: 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% Simple through 2018 Post 2018: 2.8% simple

Mortality rates for OPERS are the RP-2014 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used.

The long-term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage, adjusted for inflation:

	OPERS Defined Benefit Plans	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	20.70%	6.34%
International equities	18.30%	7.95%
Fixed income	23.00%	2.75%
Real estate	10.00%	4.75%
Private equities	10.00%	8.97%
Other investments	18.00%	4.92%
	100.00%	5.95%

Discount Rate

The discount rate used to measure the total pension liability and total pension asset was 7.5 percent for the year ended December 31, 2017, and 8 percent for the year ended December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total pension asset.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability and Net Pension Asset to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability and net pension asset has been calculated using a discount rate of 7.5 percent. The following presents the Hospital's proportionate share of the net pension liability and net pension asset calculated using a discount rate 1 percent higher and 1 percent lower than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Traditional Plan Net Pension Liability	$ 36,018,969	$ 23,576,892	$ 13,208,617
Combined Plan Net Pension Liability	(2,507)	(34,881)	(63,924)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to the Pension Plans

At December 31, 2017 and 2016, the Hospital had a payable for its employer share of approximately $790,000 and $495,000, respectively, for an outstanding amount of statutorily required contributions to the pension plans for the respective years ended.

Defined Contribution Plans

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Pension expense recorded for the years ended December 31, 2017 and 2016, for contributions to the Member-Directed Plan was approximately $56,000 and $53,000, respectively.

Other Postemployment Benefits

OPERS provides postemployment health care benefits to retirees with ten or more years of qualifying service credit under the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan benefits include a medical plan, prescription drug program and Medicare Part B premium reimbursement. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code (ORC) permits, but does not require OPERS to provide Other Postemployment Benefits (OPEB) to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the ORC.

Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For the calendar years ended December 31, 2017 and 2016, OPERS allocated 2.0 percent of the employer contribution rate to fund the health care program for members in the Traditional Pension Plan and Combined Plan. The allocated 2.0 percent is the statutorily required contribution rates for OPERS, payment amounts vary depending on the number of covered dependents and the coverage selected. Hospital employer contributions to OPERS to fund OPEB for the years ended December 31, 2017 and 2016, approximated 2.0 percent, or proximately $328,000 and $282,000, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 10: Future Change in Accounting Principle

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* (GASB 75), as they relate to governments that provide postemployment benefits other than pensions administered as trusts or similar arrangements that meet certain criteria. GASB 75 requires governments providing postemployment benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of postemployment benefits. GASB 75 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017; therefore, Wyandot Memorial Hospital's fiscal year 2018. The impact of applying this Statement has not been determined.

Required Supplementary Information

Wyandot Memorial Hospital

Schedules of the Hospital's Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System (OPERS)

Traditional Defined Benefit Pension Plan	2017	2016	2015
Hospital's proportion of the net pension liability	0.10%	0.10%	0.09%
Hospital's proportionate share of the net pension liability	$ 23,576,892	$ 17,496,552	$ 11,134,824
Hospital's covered employee payroll	13,428,180	12,571,948	11,318,483
Hospital's proportionate share of the net pension liability as a percentage of its covered employee payroll	175.58%	139.17%	98.38%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%

Combined Defined Benefit Pension Plan	2017	2016	2015
Hospital's proportion of the net pension asset	0.06%	0.06%	0.05%
Hospital's proportionate share of the net pension asset	$ 34,881	$ 29,372	$ 17,596
Hospital's covered employee payroll	243,952	219,679	161,341
Hospital's proportionate share of the net pension asset as a percentage of its covered employee payroll	14.30%	13.37%	10.91%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%

For the years ended December 31, 2017, 2016 and 2015, the above amounts are presented as of the measurement date of December 31, 2016 2015, and 2014, respectively.

These schedules are presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB Statements No. 68 and No. 71. Information in these schedules has been determined as of the measurement date (December 31 of the prior fiscal year) of the collective net pension liability (asset).

Wyandot Memorial Hospital
Schedules of the Hospital's Contributions
Ohio Public Employees Retirement System (OPERS)

Traditional Defined Benefit Pension Plan	2017	2016	2015
Statutorily required contribution	$ 1,809,577	$ 1,611,382	$ 1,508,634
Contributions in relation to the statutorily required contributions	(1,809,577)	(1,611,382)	(1,508,634)
Contribution deficiency (excess)	$ -	$ -	$ -
Hospital's covered employee payroll	13,919,821	13,428,180	12,571,948
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

Combined Defined Benefit Pension Plan	2017	2016	2015
Statutorily required contribution	$ 40,207	$ 29,274	$ 26,361
Contributions in relation to the statutorily required contributions	(40,207)	(29,274)	(26,361)
Contribution deficiency (excess)	$ -	$ -	$ -
Hospital's covered employee payroll	309,286	243,952	219,679
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

The above amounts are presented for the fiscal years ended December 31, 2017 and 2016, respectively.

These schedules are presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB Statements No. 68 and No. 71.

Changes of Assumptions

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments for the 2016 valuation report. These changes of assumptions for OPERS are reflected in the amounts presented for the current fiscal year.

Changes of Benefit Terms

Amounts reported in 2015 for OPERS reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2 percent of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3 percent applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3 percent.

Amounts reported in 2015 for OPERS reflect the following plan changes:

- No COLAs were granted for the fiscal year ended June 30, 2014 and reduced to 2 percent for future periods. COLA deferred until the fifth anniversary of retirement for members retiring after July 1, 2013.
- New members require five years of qualifying service credit to be eligible for survivor benefits and ten years of service of qualifying service to be eligible for disability benefits.

Changes of Assumptions

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2016, used for the Hospital's 2017 fiscal year. Amounts reported in the Hospital's 2017 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2016 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return decreased from 8.0 percent to 7.5 percent.
- Actuarially assumed wage inflation decreased from 3.75 percent to 3.25 percent.
- Projected salary increases range changed from 4.25 percent – 10.05 percent to 3.25 percent – 10.75 percent for the Traditional Pension Plan and changed from 4.25 percent – 8.05 percent to 3.25 percent – 8.25 percent.
- Mortality assumptions increased to reflect longer life expectancies.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wyandot Memorial Hospital (Hospital), which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
May 17, 2018

Dave Yost • Auditor of State

WYANDOT MEMORIAL HOSPITAL

WYANDOT COUNTY

CLERK'S CERTIFICATION
This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 19, 2018

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